



NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

FOR IMMEDIATE RELEASE
March 9, 2004

Contact: Mitchel Benson
(916) 653-4052

TREASURER ANGELIDES ANNOUNCES NAMES OF INVESTMENT BANKS AND BROKER/DEALERS THAT COMPLY WITH NEW STANDARDS OF FINANCIAL CONDUCT DESIGNED TO PROTECT INVESTORS, TAXPAYERS AND PENSIONERS

*Three Banks & Broker/Dealers Warned to Comply by March 31
Or Risk Being Suspended From Doing Business With the State*

SACRAMENTO, CA – State Treasurer Phil Angelides today announced that 41 investment banks and broker/dealers now comply with the Treasurer's Office Investment Protection Standards – a mandatory code of financial conduct that the Treasurer imposed last year to protect investors, taxpayers and pensioners.

The Treasurer today also said that he has notified three currently non-compliant financial institutions that they will be suspended from doing business with the State unless they can certify by March 31 that they are in compliance.

The Investment Protection Standards are based on the reforms contained in the settlement reached last year by New York State Attorney General Eliot Spitzer, the U.S. Securities and Exchange Commission and 10 major investment banks. Angelides extended the reach of that settlement to all investment banks and broker/dealers that do business with the State of California.

"These new Investment Protection Standards have set new market standards for investment banks across the country," Angelides said. "These standards will help put an end to the destructive marketplace abuses that have rocked our nation's financial markets and left taxpayers and investors to pick up the pieces."

The Treasurer's Office also announced the creation of a page on its website (www.treasurer.ca.gov/Corporate_Reform) that will list those financial institutions that comply and those that do not comply with the Investment Protection Standards.

The Treasurer's Investment Protection Standards require, among other things, that investment banking firms and broker/dealers that want to do business with California separate entirely their research and investment banking practices, including physical separation and completely separate lines of command, budgeting, and legal and compliance staffs. Firms also are required to create "firewalls" between research and investment banking, reasonably designed to prohibit improper communications between the two.

“As we develop and institute bold, new initiatives on such key issues as financial codes of conduct,” Angelides said, “we continue to raise the bar nationwide to restore integrity to our financial markets, protect investors and boost the investor confidence needed for economic recovery.”

After the Treasurer announced the Investment Protection Standards last May, the Treasurer’s Office directed investment banks and broker/dealers that wanted to do business with the State to submit their compliance plans by October 1. At the time, the Treasurer’s Office asked 69 firms eligible to handle the state’s bond and note issuance, and 57 broker/dealer firms eligible to do business with the State’s investment fund, to submit compliance plans. The Treasurer’s Office determined that 44 of those firms engage in both research and investment banking, which triggered the required compliance with the Standards.

Of those 44 firms, 41 are now in compliance (see attached list). The Treasurer today also announced that he has sent sanction letters to the three firms that are not in compliance. In the letters, the Treasurer warns the firms – CIBC World Markets Corp.; Edward Jones; and Wedbush Morgan Securities – that they will be suspended from doing business with the Treasurer’s Office unless they make the necessary corrections to comply by March 31. Since 1999, the three have been members of underwriting teams that participated in at least \$26.2 billion in bond sales and, in addition, CIBC has since 1999 done more than \$6.2 billion worth of securities transactions with the Treasurer’s Office.

Eligibility to do business with the Treasurer’s Office and the State of California has significant ramifications. As State Treasurer, Angelides manages the State’s Pooled Money Investment Account (PMIA), which holds more than \$52 billion in taxpayer funds and, during the last full fiscal year (2002-03), completed 3,062 securities transactions worth nearly \$142 billion. The Treasurer’s Office also selects the investment banks to handle the State’s bond and note issuance. In 2003, the Treasurer’s Office oversaw the issuance of a record \$34.4 billion in bonds and notes.

In addition, Angelides – because he is State Treasurer – sits on the governing boards of the California Public Employees’ Retirement System (CalPERS) and the California State Teachers’ Retirement System (CalSTRS), the nation’s largest and third-largest public pension funds, respectively, with combined assets of nearly \$278 billion. CalSTRS approved the Standards last July and CalPERS approved them last August. Both pension funds are now in the process of implementing the Investment Protection Standards with the investment banks and broker/dealers with whom they do business.

Attachments available on the Treasurer’s website (www.treasurer.ca.gov):

- Investment Protection Standards
- List of companies in compliance with Investment Protection Standards
- List of companies sent a notice of suspension letter

###